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TAGS: [ECON](#) [ETRD](#) [PREL](#) [SY](#) [TU](#)  
SUBJECT: TURKISH-SYRIAN FTA: THE VIEW FROM DAMASCUS

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[1](#)B. ANKARA 06352

Classified By: CDA Michael Corbin for reasons 1.4 b/d

[1](#)1. (C) Summary. After over a year of no movement, Syrians generally view Turkey,s recent announcement that the Free Trade Agreement (FTA) between the two countries was ratified, and will enter into effect on January 1, 2007 as a sign of Turkish political support for the SARG as it works to emerge from its international isolation. Turkish officials in Damascus publicly lauded the November 6 go-ahead of the FTA with Syria as a gateway to Gulf Area Free Trade Agreement (GAFTA) markets. New Syrian-Turkish customs agreements and infrastructure projects were also announced in the days following the FTA announcement. Turkish investment in Syria is expected to rise as a result of the agreement, although the dimension of that increase remains unclear. End Summary.

[1](#)2. (C) Since the assassination of former Lebanese PM Rafiq Hariri, the SARG has courted the GOT in an effort to lessen its resulting international isolation. The negotiated FTA has been one of the bellwethers of the SARG efforts. In October 2005, Deputy PM for Economic Affairs, Abdullah Dardari, led a combined public and private sector delegation to Turkey where it was announced that the FTA would imminently be ratified by the Turkish parliament (ref A). For 12 months no apparent action was taken. The recent public announcement that Turkey had ratified the FTA, and that it would go into effect January 1, 2007, came as a welcome surprise to the private businessmen who had accompanied Dardari to Turkey last year.

[1](#)3. (C) Turkish Commercial Counselor in Damascus, Tayfun Kilic, told Econoff on November 14 that Turkey,s ratification of the FTA with Syria is a long-awaited move that will open up the GAFTA region for Turkish trade. When the FTA takes effect on January 01, 2007 the entire &negative list8 of items prohibited from importation from Turkey to Syria will be revoked. Customs duties will fall as much as 50 percent on some items almost immediately, and duties on all items will be gradually eliminated over the next 12 years. Kilic also sees this agreement beginning to open Syria to greater Turkish investment, with Turkish investors taking advantage of Syria,s cheaper costs of labor, fuel and other manufacturing inputs. These goods could then be exported free to other GAFTA countries as they would be considered of Syrian origin. (Note: Turkey is not a GAFTA member. End Note.) Alternatively, export to the EU of such Syrian-produced goods would be logistically simple and inexpensive, so Turkish businessmen win either way. Bassel Sannoufoa, Syrian Director General of Customs, said the FTA ratification is good news, and will allow the current

positive trend in bilateral relations to gain much needed momentum.

¶4. (U) In the days leading up to the ratification of the FTA, Turkey and Syria announced the activation of a completed but dormant power project to connect the two national grids, through which Turkey can supply Syria with electricity, and also a new customs initiative to expedite cross-border shipments. This is an area ripe for reform, as Econoff has seen more than 10km of container trucks lined up for hours waiting to cross into Turkey at the Bab al Hawa border. Streamlining procedures would allow freer flow of goods in both directions; Syria would benefit from being able to more easily move products into Turkey. Smuggling of some items is also likely to fall as restrictions are eased. Finally, greater investment from Turkey, especially in construction and housing development, has been a major focus in recent remarks by SARG Minister of Housing and Constructing Hammoud al-Hussein.

¶5. (C) Despite all of the above, Syrian businessmen generally discount the prospect of immediate benefits coming from the agreement. Textile manufacturers fear increased competition from the more developed Turkish sector. Wholesalers fear a flood of cheaper Turkish goods, a development that will aggravate an already significant imbalance in trade. Still, the SARG had been quick to complete its side of the agreement despite Turkish foot-dragging. Explaining his government's apparent recent change of heart, Kilic commented that Turkey decided to ratify the agreement with Syria because his government felt, &Our pact is about economy and trade, and that is all,8 he said. Contrasting the FTA with the still-stalled EU Association Agreement, Kilic asserted, &The EU (text) is full of notions on democracy, and human freedoms, so it will take forever.8

¶6. (C) Comment. Syria's second city and industrial capital, Aleppo (and surrounding areas), have business relations with Turkey that the FTA is expected to strengthen. Still, most of our Syrian business contacts expect only a modest economic impact from the FTA but instead focus on the positive signals of political stability (and erosion of attempts to isolate Syria) implicit with the GOT's willingness to move forward with the FTA now. Some Syrian contacts wonder, however, if Syria can be fully prepared by January to implement the FTA, and speculate that the trade balance will tilt even further in favor of Turkey. The only real immediate gain for Syria seems to be political, as this FTA supports the SARG's ongoing efforts to end its international isolation.

CORBIN